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MINUTES

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Exhibits and tapes are on file in the offices of the Legislative Services Division.

COMMITTEE MEMBERS PRESENT

Sen. Vicki Cocchiarella
Sen. Bob DePratu
Sen. William Glaser
Sen. Fred Thomas
Sen. Mignon Waterman
Rep. Ron Erickson
Rep. Dan Harrington
Rep. Chase Hibbard
Rep. Roger Somerville
Rep. Robert Story, Jr.
Rep. Emily Swanson

COMMITTEE MEMBERS EXCUSED

Sen. Jon Ellingson

STAFF PRESENT

Jeff Martin, Research Analyst

Lee Heiman, Staff Attorney
Jo Ann Jones, Secretary

VISITORS

Visitors list, Attachment #1.

COMMITTEE ACTION

Elected Rep. Hibbard as chairman and Sen. Ellingson as vice-chairman.

CALL TO ORDER

Sen. Waterman called the meeting to order at 3:07 p.m. Roll call was noted. See Attachment #2.

ELECTION OF OFFICERS

Sen. Waterman opened nominations for chairman. Rep. Story nominated Rep. Hibbard. Rep. Harrington moved the nominations cease and Rep. Hibbard be declared chairman by acclamation. The motion carried by unanimous voice vote.

Rep. Hibbard opened nominations for vice-chairman, stating that, according to rule, the position should go to a senate democrat. Sen. Cocchiarella nominated Sen. Ellingson. Sen. Thomas moved nominations cease and Sen. Ellingson be declared vice-chairman by acclamation. The motion passed by voice vote, 10-1, Rep. Hibbard dissenting.

STATUTORY DUTIES

After introduction of staff, Jeff Martin, staff, explained the statutory duties of the committee as outlined in Exhibit #1.

Mr. Martin said SB 11 eliminated the Revenue Oversight Committee and replaced it with the Revenue and Taxation Interim Committee (Committee). The Committee has administrative rule review, program evaluation, and monitoring functions for the Departments of Transportation (DOT) and Revenue (DOR).

Rep. Swanson asked if the DOR still had an advisory committee on its ongoing computer projects. Mary Bryson, director, DOR, said that the Stakeholder Advisory Council is still in existence and asked if there is an interim committee devoted to information technology (IT) issues. Terry Johnson, Principal Fiscal Analyst, Legislative Fiscal Division (LFD) said that the Legislative Finance Committee will be conducting a study of IT issues in accordance with a provision of HB 2. Rep. Hibbard requested that the LFD report to the Committee on their findings.

Rep. Story said that he would like to have more citizen involvement in the Committee's operations and asked for suggestions for how that might be accomplished.

Sen. Waterman said that meetings could consist of the two departments providing overviews of major issues in combination with public hearings. Mr. Martin said that he asked Marv Dye, director, DOT, to provide an overview of the Department's programs at the Committee's September meeting.

Rep. Somerville asked Mr. Martin if the report to the Committee from DOT could include its construction schedule. He said that he has received complaints from citizens that DOT construction projects actually begin very late in the year and result in more cost to the state than if they were begun earlier, in good weather.

Rep. Hibbard said that the Committee's oversight responsibilities could be time consuming and very involved. Rep. Story suggested that some of the oversight responsibility could be delegated to subcommittees.

Sen. DePratu said that he also has a serious concern about DOT's construction schedule. Rep. Hibbard said that the issue also involves a decision of how much time the Committee will devote to oversight responsibilities. Rep. Hibbard said the scope of those responsibilities should be a Committee decision because the Committee cannot do total oversight of both DOT and DOR. Sen. Thomas asked if the LFC was examining DOT as part of their functions. Mr. Johnson said that there is nothing on the interim work plan for the DOT.

Rep. Swanson asked if the Committee budget would allow for expansion of the number of meetings. Mr. Martin said he would have to check and report back.

Sen. Cocchiarella said the Environmental Quality Council (EQC) delegates subcommittees to examine particular issues who then report back to the EQC on their findings. Rep. Hibbard said that, generally, the Revenue Oversight Committee had no need for subcommittees.

Sen. Glaser said that because Committee staff is not familiar with the operation of the DOT, it may be possible to use DOT staff to report to the Committee.

Rep. Hibbard said that Committee consensus seemed to be that it wants to take oversight duties seriously and instructed Mr. Martin to check on the budget to see if more meetings or subcommittees are possible, and whether staff could be found for DOT issues. Mr. Johnson said that an LFD analyst is devoted to DOT issues.

Rep. Hibbard asked Ms. Bryson if the DOR had any issues to bring before the Committee, that it be done as early in the interim as possible. Ms. Bryson said that the implementation of the major tax bills is one issue for the Committee's attention.

OTHER STATUTORY DUTIES

Mr. Martin said that SB 11 retained most of the statutory duties of the former Revenue Oversight Committee:

- 0 preparation of the revenue estimating resolution and periodic review of general fund revenue collections;
- 0 reports from the DOR regarding tax credits for planned gifts made to qualified charitable endowment funds, intangible personal property, and the payment of inheritance taxes and estate taxes by transfer to the state of property of historic or artistic interest;
- 0 a report from the DOT regarding the status of cooperative agreement negotiations with Native American tribes on the taxation of motor fuels;
- 0 a report from the budget director when actual or projected revenue is less than revenue estimates adopted by the Legislature and the Governor is considering spending reductions;
- 0 analysis of the amount of state and local tax revenue derived from previously regulated electric utilities and natural gas suppliers;
- 0 a report from the Board of Oil and Gas Conservation regarding oil production from enhanced recovery projects or from horizontally completed wells.

Sen. Thomas said he would like the Committee to continue its examination of how both for-profit and non-profit providers of electrical energy are taxed. Rep. Story said the taxation of the distribution system needs investigation because some property is taxed at 3 percent and some is taxed at 12 percent. Mr. Martin said he would develop background reports on these issues for a future meeting.

Mr. Martin distributed Exhibit #2, a hypothetical composite code section from SB 200, HB 128, and HB 174 regarding bonding capacity for local governments. He recommended that the Committee review bonding capacity requirements to determine whether they may be simplified.

Sen. Glaser said that reimbursement procedures to local governments should be examined because the 125 percent reimbursements in class 6 and class 8 properties has caused huge anomalies within counties. Rep. Story asked if the DOR could report to the Committee on that issue. Rep. Swanson spoke in support, saying that it was a critical issue.

INTERIM STUDIES

Mr. Martin said that SB 454 provided for a study of whether state agricultural or forestry operations should provide payment in lieu of taxes in the county in which it occurs, but said that as far as he could determine, the only situation of this type in Montana results from the ranch operation at the state prison.

Mr. Martin said the Committee should review reimbursement procedures to local governments related to property tax changes under SB 184, SB 200, SB 260, HB 124, HB 178, SB 530, HB 658, and HB 661. He said the Committee should review the DOR's progress in developing the reappraisal cycle plan scheduled to begin January 1, 2001.

Mr. Martin said the Committee should retain its coal tax oversight functions although SB 11 eliminated any references to it.

1999 TAX LEGISLATION

Mr. Martin distributed Exhibit #3, a summary of tax legislation enacted during the 56th Legislature in 1999.

Sen. Glaser asked if it is possible to track the effects of the reductions in class 6 and class 8 properties. Sen. DePratu said that the tax does not go into effect until 2000, so it is very slow-moving. Sen. Glaser suggested that a public hearing be held to hear the reaction regarding the development of new businesses. Rep. Erickson said there should be a report from the Billings refineries in 2000.

Sen. Thomas asked the DOR for a revenue update. Ms. Bryson said general fund revenue collection amounted to \$836 million at the end of May 1999, or \$14 million higher than expected. Rep. Swanson asked where the increase is coming from. Ms. Bryson said that it comes from individual income tax. Sen. Thomas asked for an analysis of trending and Ms. Bryson replied that increases in capital gains was indicated. Sen. DePratu asked for a report on corporate tax. Ms. Bryson said it was maintaining expected levels and is expected to meet projections. Mr. Martin reminded the Committee that the LFD provides revenue collection reports to the Committee on a regular basis.

Judy Paynter, DOR, added that wage and salary growth is also close to projections.

Sen. Waterman asked the chairman to send a letter to the DOT informing them that representation from their department is expected at future Committee meetings.

INTERIM SCHEDULE

A proposed interim meeting schedule was considered, see Exhibit #4. After discussion, the Committee adopted the following meeting dates, subject to change:

September 23, 1999

December 10, 1999

February 18, 2000

April 14, 2000

June 16, 2000

August 18, 2000

September 15, 2000

October 20, 2000 (tentative date for consideration of the revenue estimating resolution)

November 17, 2000 (tentative date for adoption of the revenue estimating resolution)

Rep. Hibbard said that he would confer with Mr. Martin and Sen. Ellingson on the issues and concerns brought forth at this meeting and an interim work plan would be developed.

ADJOURNMENT

Rep. Hibbard adjourned the meeting at 4:55 p.m. The next meeting will be September 23, 1999.

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